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Georgia State University
University Plaza • Atlanta, Georgia 30303
Economic Forecasting Center
College of Business Administration
404/651-3282

MONTHLY PROJECTIONS
February 1988

Dr. Donald Ratajczak, Director
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THE SERVICE ECONOMY RISES AGAIN

After the release of employment statistics for February, significant revisions in our views of economic conditions may be warranted. Although the consumer was expected to reduce growth in economic activity, evidence is growing that such consumer retrenchment is not substantial. More significantly, the service economy, after a three-month stall, appears to be roaring ahead again. Implications of this shift in activity on interest rates, the dollar, and monetary policy are relatively far-reaching.

Prior to the February employment release, it appeared that our assessment about reduced consumer spending, a correction in the construction industry, and a significant offsetting gain in industrial activity as exports swelled was intact. Moreover, rapid inventory building in the fourth quarter certainly could not be sustained. As a result, some weakening in economic activity early in 1988 followed by gradual improvement later in the year appeared to be in the cards. This would enable interest rates to decline gradually early in the year while the dollar's temporary strength on foreign exchange markets could persist on the basis of fundamentally improving trade conditions.

However, the consumer has not withdrawn as dramatically from the economy as initially expected. The stock market trauma of last October appears to have had minimal effect upon consumer behavior, except in the sale of homes. Thus, while weakness in the construction sector appears to be developing, consumer retrenchment does not seem to be at hand. Indeed, consumer debt grew at a 10.6% annual rate in January with significant debt expansion in the revolving and special credit accounts. These numbers may reflect some stress in consumer budgets. They also suggest that consumers are willing to take on more debt to maintain current consumption growth paths. Also, consumers responded very favorably to February's automobile incentives. At annual rates, total vehicle sales were at an 18 million clip that month. Last year, by contrast, total vehicles sold were only 14.9 million. Our forecast had originally assumed a dip to 14.3 million with more than a half million decline in passenger car sales. It now appears that any passenger car decline will be slight.

In addition to more debt and automobile spending than had been expected, strong employment gains in the service economy suggest that consumer services also are growing rapidly. After a three-month lull, business services rebounded by 55,000 jobs in February. Health services showed an even larger 60,000 job advance. Of course, a significant gain in government jobs probably will not continue next month while a surge in retail and construction jobs both look suspicious. Department store sales were not strong, the one area of consumer activity that appears to be following the original script. Also, while construction weather was more favorable in February than in January, a bounce back to higher employment levels than in December is suspicious. Excluding these unusual items, payrolls still advanced in the service sector by nearly 300,000.

At the same time, purchasing managers are indicating a reduction in the growth of their orders and manufacturing payrolls expanded only 20,000. Indeed, the manufacturing workweek declined. This suggests that export growth will not be vigorous. Putting the two components together suggests that consumer spending will draw in more imports causing higher trade deficits than originally projected. The trade deficit for 1988 may not sink below $160 billion. If so, monthly trade deficits once again will move up above $14 billion during the next few months. Such a performance will put significant downward pressures upon the value of the dollar.

On balance, the economy is not as weak during the first quarter as originally anticipated. The index of hours worked currently is more than 3% at annual rates above fourth quarter levels. This suggests that the inventory retrenchment may not be as significant during the first quarter as originally expected. Indeed, manufacturing inventories in January rose 0.8%, even a greater gain than the 0.6% increase in December. Some inventory slowing is anticipated as the year progresses, but weakness is not expected to be concentrated in any particular quarter. Thus, the scenario that suggested weak economic activity leading to declining interest rates early in the year no longer is valid.

The Federal Reserve currently faces a dilemma. A month ago, when the economy appeared weak, the dollar was stable, and inflation was modest with gold prices plunging sharply, the Federal Reserve had an opportunity to lower short-term interest rates. While a modest downward tick in the federal funds rate was permitted, Federal Reserve activity was not aggressive. Now, it appears that the dollar will be under significant pressure and the economy is not weak. Fortunately, inflationary pressures remain subdued. Nevertheless, Federal Reserve ease no longer is likely. Indeed, if the dollar weakens significantly after Japan ends its fiscal year at the end of March, talk about Federal Reserve tightening may develop. Such a change of events seems to suggest that interest rates probably already have reached their low point for this year.

Quarterly Profile of GNP

	1987-4	1988-1	1988-2	1988-3	1988-4	1989-1	1987 Annual	1988 Annual
Real:	4.5	2.0	2.0	0.8	2.0	2.1	2.9	2.6
Price:	2.7	3.1	3.5	4.9	4.9	4.9	3.0	3.4
Nominal:	7.3	5.0	5.6	5.7	6.9	7.2	6.0	6.1

Monthly Statistical Highlights for February 1988

Personal income +0.8%; savings rate 5.2%; personal consumption +0.5%; housing starts +3.0%; housing permits +7.4%; construction expenditures -0.0%; business inventories +0.4%; orders for durable goods +3.3%; orders for non-defense capital goods +1.1%; industrial production UNC; consumption deflator +0.2%; CPI +0.3%; PPI UNC; leading indicators +0.4%; real GNP(AR) +2.8%; M1(AR) +4.2%; M2(AR) +8.9%.

Monthly Statistical Highlights for March 1988

Payroll employment +116,000; index of hours worked +0.1%; household employment +280,000; civilian unemployment rate 5.7%; personal income +0.4%; savings rate 5.4%; personal consumption +0.3%; retail trade -0.0%; auto sales 10.8 million units; housing starts +2.0%; housing permits +0.4%; construction expenditures -0.5%; business inventories +0.4%; orders for durable goods -4.4%; orders for nondefense capital goods -3.6%; industrial production +0.1%; CPI +0.3%; PPI +0.3%; consumption deflator +0.2%; leading indicators -0.2%; real GNP(AR) +1.2%; M1(AR) +3.7%; M2(AR) +5.8%.

Commentary

Employment - Of the 531,000 gain in payroll employment, a 110,000 increase in retail and a 107,000 increase in construction both look suspect. In addition, the 68,000 gain in government employment probably is a one-time surge. Excluding these factors, payroll employment still would have increased a healthy 245,000. This occurred despite a 10,000 dip in financial services as an aftermath of the stock market crash. If construction reverses again, as expected, and retail employment shows little gain next month, payroll employment probably will grow less than 200,000. Nevertheless, the February gains clearly indicate a stronger economy than had originally been anticipated. This has necessitated a significant upward revision in our estimates of payroll employment for the next year. As a result, the unemployment rates continue to drift slightly lower.

The hourly earnings index slowed significantly in February, sometimes indicating that employment may have been overstated in the payroll forms. On the assumption that hourly earnings are showing little growth, it appears that wage increases still are not being significantly stimulated by the current unemployment rates. One of the explanations for this lack of wage pressure is the strengthening of the Midwest, where some employment slack still remains,

even as the Northeast begins to ease its employment conditions. If this regional pattern of employment continues, unemployment rates more than a half percentage point lower than current levels possibly can be achieved without stimulating significant inflationary pressures.

Personal Income - Wage and salary growth in January was stronger than anticipated in the forecast. Moreover, the expansion in payrolls in February suggests another surge in wage earnings. With higher payroll employment now projected for next year, this necessitates increases in our estimates of wage earnings. This, in turn, causes higher gains in personal income. In addition, stronger economic activity leads to higher interest rates. This leads to stronger gains in property income than originally anticipated.

On the other hand, tax declines were not as sharp in January as originally anticipated. This may continue to reflect the pattern of overpaying estimated taxes on estimated dates. It may also reflect an adjustment to previous underwithholding as tax payments begin to flow. According to the budget document, our annual estimate of tax receipts relative to income generation is consistent with that projected by the administration. Nevertheless, some adjustments upward in personal tax receipts were made.

Although strength in the service economy does not appear to be reflected in our estimates of service consumption, the slowing in February is the result of more normal temperatures following unusually cold weather in January. Mild weather is expected to further restrain service expenditures in March. After that, the gap between our forecasted and actual service expenditures begins to close. Declining oil and food prices should impact nondurable expenditures in February while strong auto sales clearly are reflected in higher sales for durables than originally projected.

Moreover, non-automobile durables are growing more rapidly than had been expected. In addition, orders for household durables showed surprising strength in January, suggesting higher furniture sales early in the year than we had anticipated. The net effect is to raise our estimates of non-auto durables relative to forecast. However, the trend rate of growth is not significantly altered.

Construction - Weather played a dramatic part in influencing construction activity in January. Single-family sales were off a dramatic 9% to only 535,000 with most of the weakness occurring in the Midwest and the South, where unusual winter storms created problems. This weakness also was reflected in housing starts and in construction expenditures. However, the weakness in housing permits suggests that fundamentals currently are restraining the housing market. As a result, the rebound anticipated in February is not as sharp as weather-related activity alone would suggest. On the other hand, the rebound in construction employment in February may require us to revise up our construction expenditures.

Business Activity - Manufacturing inventories continue to surge much more sharply than originally anticipated. The inventory correction may not be that substantial during the first quarter. Assuming strong sales will prevent further inventory retrenchment in the spring, the impact of an inventory slowdown may be delayed until the summer months.

Durable goods orders were restrained by a sharp drop in defense orders. Some rebound is expected in the defense sector, although defense shipments will

grow more slowly than originally projected. Indeed, the budget document suggests even more subdued growth in defense shipments over the next twelve months than our current expectations.

Orders were surprisingly strong in January for machinery despite a sharp retrenchment in primary metals. The weakness in primary metals reflected a fall-off in orders in the copper industry as copper prices began plunging. Orders may bounce back in February. However, purchasing managers suggest that any increase in orders in that month will be slight. If a surprise develops, it will be in lesser gains or actual declines in durable goods orders than currently projected.

Despite especially strong gains in payroll employment, weakness in the manufacturing sector suggests that industrial activity was unchanged. However, January's gains were much stronger than contained in the forecast, suggesting stronger industrial production early in the year than had been anticipated. Because this strength is the result of a delayed retrenchment in inventories, it has little effect upon longer trends in industrial activity.

Prices - Most of the sharp price increases in January reflected once-a-year price changes for newspapers, periodicals, tobacco products, lodging fees, and hospital fees. More moderate prices should be apparent in the next few months. Moreover, oil prices are falling significantly at this time. This should take more than 5¢ to 8¢ per gallon off the price of gasoline. With gold prices also coming down, jewelry prices should begin to moderate. All these factors suggest that inflationary pressures will diminish slightly in the months ahead. However, these changes are not significant enough to substantially alter our prices relative to forecasted values. Some composition shifts will lead to a higher GNP deflator than originally projected. This is the result of stronger consumption and weaker net export activity than had originally been expected.

Miscellaneous - Despite the possibility that orders may not be as strong in February as currently projected, the leading indicators will rebound that month. Some favorable factors include initial unemployment claims, stock prices, inflation-adjusted money, and probably building permits. This should more than offset unfavorable conditions in the workweek and relatively neutral conditions for sensitive prices. Delivery delays are beginning to shorten following tight conditions in the fall.

Seasonal factors suggest that several poorly performing monthly trade balances are in store in the months ahead. Although the timing of these trade flows is especially difficult because storms on the Atlantic Ocean influence the arrival of imports, there is little doubt that a favorable downward trend in the merchandise trade balances will be reversed during the first quarter. Moreover, that downward trend was almost exclusively the result of seasonal forces. Seasonals are not favorable during the first half of the year.

Financial Markets

Although the outlook has been revised to show more strength early in the year than originally projected, some weakening in credit market demands must have developed. This is suggested by a significant narrowing in the spread between commercial paper and federal funds rates from the fall to the winter months. Apparently, the Federal Reserve held an interest rate target despite

upward pressures on interest rates in the fall. Then, enough slowing in growth developed to create some moderation in those pressures, eventually culminating in a slight dip in the federal funds rate. Now, it appears that commercial paper rates will again be pressured slightly upward, at least into the summer months. The Federal Reserve is expected to respond by maintaining an interest rate target at funds not significantly different from those that have prevailed in the last ninety days.

While the Federal Reserve is following an interest rate target, this leads to significant changes in the money stock as money demand waxes and wanes. For evaluation purposes, M2 should be more closely observed than M1. In this regard, M2 is now beginning to grow more rapidly, suggesting that some increase in money demand has developed. However, the higher interest rates are beginning to encourage an outflow of funds from checkable deposits. This is why M1 growth is slowing significantly relative to M2. At the same time, declining gasoline prices appear to be reducing pressures on currency demand. This is permitting the monetary base to grow at a relatively slower rate in order to achieve the same amount of monetary expansion.

Interest rate pressures should be gradually building through the spring. A mild inventory slowing during the summer months could provide some interest rate relief at that time. However, further increases in interest rates now seem likely in the fall as economic growth resumes and inflation begins to intensify. On balance, however, our interest rate projections are not dramatically different from what had been presented in the forecast. The only noteworthy change is a higher projected prime rate later in the year than originally expected.

Equity Markets - Stronger economic activity without any significant changes in inflation rates should lead to higher corporate profits than originally projected. While our forecast assumed that operating profits would be unchanged, upward adjustments early this year suggests that profit growth in excess of 5% now can develop. This is not a dramatic surge in profitability, but it probably is enough to justify a slight upward tilt in equity values. The issue will be whether or not rising interest rates will be enough to offset the effects of improving profitability.

Unfortunately, the stock market appears to be suffering from the same delusions that caused it to over-price equity issues early in 1987. The return of mergers and acquisitions is causing many investors to establish premiums for the industry groups in which such activity appears to be developing. In addition, many of the fund managers who have been out of the market are now feeling an urge to get their cash working again to make up for some of the fourth-quarter losses. As the first quarter approaches an end, greater cash commitments may come from these fund managers. The potential for a financial market performance similar to 1987 cannot be discounted. As confidence builds on stocks, equity values once again could rise more sharply than economic conditions justify. This would then cause a tilt away from bonds, which appear to be facing their own short-term problems, once again creating a growing gap between the price trends in the stock and bond markets. While the yawning gap that developed in the fall of 1987 should not reappear, financial markets dominated by rising equity values in the first half of 1988 followed by a significant correction later in the year once again appears to be developing.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	102983	102983	121.9	121.9	113210	113210	6.0	6.0	174.9	174.9
November	103285	103285	122.2	122.2	113504	113504	5.9	5.9	175.8	175.8
December	103596	103612	121.0	121.8	113744	113744	5.8	5.8	175.4	175.7
January 1988	103705	103786	121.7	122.3	113849	114129	5.8	5.8	176.2	176.4
February	103778	104317	121.9	123.2	114018	114409	5.8	5.7	177.0	176.5
March	103854	104433*	122.1	123.3*	114166	114539*	5.8	5.7*	177.8	176.8*
April	103992	104629	122.0	123.5	114308	114713	5.8	5.7	178.0	177.1
May	104103	104815	122.1	123.7	114470	114936	5.8	5.7	178.2	177.5
June	104212	105006	122.2	123.9	114682	115141	5.8	5.7	178.5	178.0
July	104349	105223	122.4	124.1	114733	115387	5.9	5.6	179.1	178.4
August	104512	105406	122.6	124.3	114899	115553	5.9	5.6	179.7	178.9
September	104687	105592	122.7	124.5	115026	115780	5.9	5.5	180.4	179.4
October	104755	105713	122.9	124.6	115159	115956	6.0	5.5	180.8	179.9
November	104834	105906	123.1	124.8	115274	116172	5.9	5.5	181.2	180.5
December	104916	106084	123.2	125.0	115387	116337	5.9	5.5	181.5	180.9
January 1989	105069	106273	123.4	125.2	115562	116531	5.8	5.5	182.2	181.1
February	105240	106385	123.6	125.3	115752	116679	5.9	5.5	182.8	181.5
March	105413	106592	123.9	125.5	115940	116946	5.9	5.4	183.5	182.0

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	3.854	3.855	2.258	2.258	181.9	181.7	3.279	3.281	3.097	3.099
November	3.836	3.839	2.272	2.272	145.2	146.5	3.257	3.260	3.112	3.114
December	3.865	3.866	2.281	2.281	153.9	145.4	3.282	3.282	3.128	3.136
January 1988	3.869	3.879	2.286	2.296	185.4	155.2	3.317	3.302	3.132	3.147
February	3.881	3.910*	2.298	2.316*	180.6	173.3*	3.327	3.335*	3.146	3.162*
March	3.893	3.927	2.309	2.323	179.1	179.8	3.338	3.351	3.160	3.172
April	3.903	3.943	2.315	2.333	169.5	185.1	3.348	3.364	3.178	3.179
May	3.914	3.961	2.320	2.343	170.6	192.9	3.357	3.378	3.186	3.185
June	3.925	3.980	2.324	2.355	175.6	181.5	3.368	3.393	3.194	3.212
July	3.940	3.997	2.336	2.365	164.2	177.2	3.376	3.405	3.212	3.228
August	3.955	4.017	2.348	2.377	130.3	174.1	3.384	3.421	3.254	3.247
September	3.970	4.035	2.360	2.388	131.5	163.1	3.392	3.434	3.260	3.271
October	3.989	4.054	2.366	2.399	153.7	173.3	3.408	3.449	3.254	3.276
November	4.007	4.075	2.374	2.412	146.6	172.5	3.423	3.466	3.276	3.294
December	4.025	4.093	2.382	2.423	143.7	171.4	3.439	3.478	3.298	3.307
January 1989	4.042	4.106	2.397	2.431	147.7	182.2	3.462	3.502	3.314	3.320
February	4.062	4.122	2.411	2.438	150.4	178.2	3.480	3.519	3.330	3.341
March	4.083	4.143	2.425	2.450	153.7	180.1	3.499	3.538	3.346	3.358

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	3000.3	3002.2	404.2	403.0	981.7	982.1	1614.4	1617.1	2489.2	2491.0
November	3014.5	3016.7	412.2	412.0	984.9	988.5	1617.4	1616.2	2494.3	2497.0
December	3030.6	3038.6	424.9	424.3	983.5	993.8	1622.2	1620.4	2506.2	2514.7
January 1988	3033.9	3048.6	416.5	424.5	983.9	993.1	1633.5	1631.0	2503.2	2514.2*
February	3048.6	3063.2*	415.5	430.7*	987.4	990.9*	1645.7	1641.6*	2509.1	2520.6
March	3060.5	3072.4	414.8	426.7	987.9	996.4	1657.8	1649.3	2512.7	2522.3
April	3072.2	3079.7	415.6	425.3	991.3	995.9	1665.3	1658.5	2514.1	2521.3
May	3088.9	3085.6	416.6	419.4	996.4	998.7	1675.9	1667.5	2517.4	2517.4
June	3100.9	3111.6	416.8	421.7	999.1	1003.1	1685.0	1686.8	2519.0	2528.1
July	3119.4	3127.5	418.5	423.2	1004.6	1008.0	1696.3	1696.3	2523.8	2530.8
August	3136.1	3146.2	421.3	427.4	1007.7	1011.6	1707.1	1707.2	2525.0	2534.8
September	3171.5	3169.8	442.7	436.3	1010.9	1016.1	1717.9	1717.4	2541.3	2544.3
October	3161.1	3174.1	418.3	425.0	1014.6	1021.1	1728.2	1728.0	2522.8	2436.3
November	3174.6	3191.4	419.5	429.1	1017.1	1025.0	1738.0	1737.3	2525.5	2539.8
December	3188.1	3203.9	420.9	428.9	1019.3	1027.8	1747.9	1747.2	2528.2	2539.4
January 1989	3208.5	3216.6	423.5	428.4	1025.4	1031.4	1759.6	1756.8	2534.4	2539.3
February	3228.6	3237.0	425.0	432.6	1031.9	1036.1	1771.7	1768.3	2540.2	2545.1
March	3248.8	3253.6	426.6	434.3	1038.4	1039.8	1783.8	1779.5	2544.1	2547.0

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	125.63	125.63	19.92	19.92	9.3	9.3	76.97	76.97	28.74	28.74
November	125.77	125.99	20.20	20.27	9.9	9.9	77.02	77.20	28.55	28.51
December	126.68	127.46	20.34	20.63	10.9	10.9	77.08	77.77	29.25	29.07
January 1988	126.06	128.08	20.11	20.79	10.4	10.4	77.12	77.76	28.83	29.53
February	126.47	128.43*	20.24	20.88*	10.0	11.0*	77.36	77.59*	28.87	29.96*
March	126.44	128.38	20.37	20.65	9.6	10.8	77.33	78.02	28.74	29.71
April	126.95	128.17	20.20	20.61	9.7	10.5	77.69	77.98	29.06	29.58
May	127.51	127.70	20.16	20.54	9.9	10.1	78.10	78.20	29.25	28.96
June	127.95	128.31	20.07	20.63	10.2	10.2	78.50	78.54	29.38	29.14
July	128.05	128.88	20.16	20.72	10.0	10.2	78.86	78.93	29.03	29.23
August	129.39	129.65	20.33	20.80	10.5	10.5	79.08	79.21	29.98	29.64
September	132.67	130.01	20.28	20.81	11.2	10.9	79.29	79.56	33.10	30.68
October	128.86	130.11	20.20	20.73	9.6	9.9	79.53	79.95	29.13	29.43
November	129.47	130.90	20.24	20.72	9.8	10.2	79.76	80.26	29.47	29.92
December	130.37	131.10	20.28	20.86	10.1	10.0	79.98	80.48	30.11	29.76
January 1989	130.98	131.32	20.33	21.03	10.1	9.8	80.43	80.76	30.22	29.53
February	131.49	132.18	20.26	21.10	10.1	10.0	80.88	81.13	30.35	29.95
March	131.78	132.68	20.38	21.17	10.0	10.0	81.32	81.42	30.08	30.09

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	1.537	1.538	1.105	1.105	1.463	1.463	403.5	403.5	351.2	351.2
November	1.639	1.661	1.110	1.129	1.469	1.469	411.3	411.3	354.8	354.8
December	1.374	1.404	1.023	1.041	1.340	1.361	409.7	406.8	354.6	352.0
January 1988	1.390	1.377	0.996	1.011	1.285	1.250	393.8	395.2	339.8	341.7
February	1.478	1.418*	1.035	1.026*	1.362	1.342*	402.1	395.1*	345.4	340.6*
March	1.526	1.447	1.076	1.043	1.443	1.347	408.8	393.3	350.0	338.2
April	1.525	1.484	1.085	1.069	1.441	1.368	407.4	394.4	347.9	338.2
May	1.538	1.487	1.092	1.076	1.452	1.389	405.3	397.7	345.5	340.2
June	1.524	1.516	1.072	1.095	1.443	1.423	405.7	399.9	345.3	340.9
July	1.532	1.514	1.086	1.092	1.447	1.416	410.6	404.8	347.7	344.2
August	1.533	1.499	1.092	1.073	1.443	1.385	412.6	406.1	347.6	344.2
September	1.535	1.491	1.098	1.055	1.446	1.394	414.5	408.1	347.4	344.7
October	1.561	1.485	1.115	1.057	1.463	1.390	418.2	408.4	349.1	343.8
November	1.576	1.463	1.123	1.026	1.489	1.375	421.0	409.1	350.3	343.5
December	1.591	1.466	1.131	1.025	1.502	1.365	423.7	409.3	351.3	342.5
January 1989	1.569	1.477	1.109	1.029	1.501	1.369	427.0	410.2	352.9	341.8
February	1.573	1.492	1.115	1.043	1.496	1.394	430.0	412.1	353.9	342.0
March	1.556	1.494	1.094	1.041	1.453	1.413	433.0	415.1	354.9	343.3

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	128.7	128.7	76.8	76.8	198.6	198.6
November	133.8	133.8	77.7	77.7	199.8	199.8
December	129.3	132.2	79.6	78.1	200.8	196.5
January 1988	125.9	129.7	75.8	74.3	192.1	191.3
February	128.2	129.3*	76.9	75.7*	197.0	190.1*
March	129.4	128.7	77.3	76.6	202.1	188.0
April	129.2	129.3	77.8	77.1	200.4	188.0
May	128.6	129.5	78.1	77.6	198.6	190.6
June	128.0	129.1	78.5	78.0	199.2	192.8
July	127.9	129.6	79.0	78.4	203.7	196.8
August	128.3	130.1	79.3	78.8	205.0	197.2
September	128.6	130.4	79.6	79.3	206.3	198.4
October	128.7	130.3	80.0	79.6	209.5	198.5
November	129.0	130.8	80.3	80.0	211.7	198.3
December	129.4	131.1	80.5	80.3	213.8	197.9
January 1989	130.0	131.4	81.4	80.7	215.6	198.1
February	130.4	131.6	82.0	81.4	217.6	199.1
March	130.9	131.8	82.6	81.7	219.5	201.6

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	328.6	328.6	111.09	111.09	30.41	30.41	28.99	28.99
November	331.8	331.8	110.95	110.95	30.09	30.09	28.62	28.62
December	333.2	333.7	116.41	115.62	33.56	33.88	30.47	30.73
January 1988	334.7	336.3	113.62	113.86	30.29	34.75	29.06	30.80
February	335.5	338.0*	112.18	117.62*	29.93	35.13*	29.65	30.93*
March	336.2	339.4	113.35	112.46	30.13	33.86	30.21	31.26
April	338.5	340.8	113.02	113.33	30.06	33.95	30.06	31.43
May	339.8	342.3	113.47	113.08	30.15	33.72	30.21	31.62
June	341.5	344.1	114.46	114.41	30.53	34.11	30.36	31.56
July	343.0	345.6	115.53	114.63	31.02	34.26	30.55	31.84
August	345.1	347.2	115.06	115.09	30.97	34.39	30.77	32.16
September	346.2	349.0	115.91	113.72	31.17	33.56	30.98	32.34
October	347.6	350.5	116.62	113.86	31.43	33.52	31.14	32.39
November	348.9	351.9	116.85	113.09	31.62	33.28	31.34	32.56
December	350.8	353.5	116.21	113.55	31.26	33.29	31.55	32.67
January 1989	352.1	355.2	114.49	112.93	30.57	32.85	30.86	32.75
February	353.9	356.7	115.86	112.76	31.35	32.71	31.24	32.71
March	355.6	358.2	116.63	112.08	31.50	32.55	31.61	32.63

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	687.7	689.9	9.13	9.13	132.5	132.5	81.9	81.9
November	695.5	696.4	9.24	9.24	133.1	133.0	82.0	82.0
December	698.3	701.9	10.23	10.09	133.3	133.2	82.2	82.2
January 1988	700.3	705.4*	9.26	8.39	133.1	133.8	82.2	82.2
February	702.4	708.2	9.83	9.15*	132.5	133.8*	81.6	82.0*
March	706.0	711.1	10.40	9.43	132.5	134.0	81.4	82.0
April	708.5	714.0	9.95	9.62	132.2	134.3	81.0	82.1
May	711.3	717.3	9.86	9.65	132.4	134.6	81.0	82.2
June	714.9	721.8	9.78	9.60	132.6	134.8	81.0	82.2
July	717.1	724.9	9.85	9.52	133.2	135.0	81.3	82.2
August	720.3	728.0	9.98	9.76	133.6	135.1	81.4	82.1
September	723.0	730.8	10.11	10.11	134.0	135.3	81.5	82.1
October	726.4	734.5	10.05	10.02	134.0	135.3	81.3	81.9
November	729.1	737.4	10.02	9.53	134.2	135.6	81.3	82.0
December	732.4	741.3	9.96	9.78	134.4	135.8	81.3	82.0
January 1989	735.6	744.9	10.03	9.96	134.8	136.0	81.4	82.0
February	738.9	748.0	10.10	10.04	135.4	136.0	81.7	81.8
March	740.9	751.1	10.17	10.13	136.0	136.3	82.0	81.9

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonaliy adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	114.9	114.9	106.1	106.1	103.9	103.9	118.5	118.5
November	115.3	115.3	106.1	106.1	104.2	104.2	118.7	118.7
December	115.4	115.4	105.8	105.8	104.1	104.1	118.9	118.9
January 1988	115.6	115.7*	106.1	106.2*	104.3	104.3*	119.2	119.3
February	115.8	116.0	106.1	106.2	104.3	104.7	119.5	119.6
March	116.1	116.4	106.2	106.5	104.5	104.7	119.8	119.9
April	116.5	116.8	106.4	106.8	105.0	104.9	120.2	120.2
May	116.9	117.0	106.6	106.8	105.4	105.3	120.5	120.6
June	117.4	117.4	107.0	107.0	105.8	105.6	120.8	121.1
July	117.9	117.8	107.5	107.3	106.3	106.0	121.2	121.6
August	118.3	118.1	107.8	107.5	106.7	106.8	121.7	122.1
September	118.9	118.5	108.4	107.8	105.2	105.1	122.2	122.5
October	119.3	118.9	108.8	108.1	107.5	107.7	122.5	123.1
November	119.6	119.5	109.0	108.5	107.8	108.1	122.7	123.5
December	119.9	119.9	109.2	108.8	108.0	108.4	123.0	124.0
January 1989	120.4	120.4	109.5	109.0	108.6	108.7	123.5	124.5
February	120.9	120.8	109.8	109.3	109.4	109.0	124.0	125.0
March	121.3	121.2	110.1	109.7	110.3	109.5	124.6	125.6

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	120.5	120.5	107.3	107.2	113.5	113.5	129.4	129.4	114.9	114.9
November	120.9	120.8	107.6	107.5	113.8	113.7	129.8	129.9	115.9	115.9
December	120.9	120.8	108.1	107.9	113.6	113.6	130.1	130.1	115.5	115.6
January 1988	121.2	121.3*	108.0	108.1*	113.4	113.8*	130.6	130.6*	115.9	115.7
February	121.5	121.5	107.8	108.2	113.5	113.6	131.2	131.3	116.4	116.0*
March	121.8	121.8	107.9	108.3	113.6	113.5	131.7	131.9	116.8	116.3
April	122.2	122.4	108.3	108.3	113.9	113.7	132.3	132.4	117.1	116.6
May	122.7	122.6	108.5	108.2	114.3	114.0	132.9	133.0	117.3	116.9
June	123.1	123.1	108.7	108.5	114.6	114.4	133.5	133.6	117.5	117.3
July	123.6	123.6	109.0	108.6	115.1	114.8	134.0	134.3	118.1	117.6
August	124.2	124.1	109.3	108.8	115.7	115.3	134.5	135.0	118.7	118.0
September	124.8	124.6	109.5	109.2	116.3	115.7	135.0	135.6	119.3	118.4
October	125.3	125.1	109.8	109.3	116.8	116.2	135.6	136.2	119.8	118.8
November	125.7	125.7	109.7	109.6	117.3	116.7	136.2	136.8	120.2	119.1
December	126.1	126.2	109.7	109.8	117.7	117.3	136.8	137.3	120.6	119.5
January 1989	126.6	126.7	110.1	109.9	118.2	117.8	137.4	137.9	121.0	120.0
February	127.1	127.2	110.3	110.2	118.6	118.3	138.0	138.5	121 5	120.5
March	127.7	127.7	110.5	110.4	119.0	118.8	138.6	139.2	122.0	120.9

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	-17.63	-17.63	193.3	192.8	4583	4587	3868	3871	-21.6	-21.6
November	-13.22	-13.22	191.0	190.7	4595	4598	3871	3874	-23.9	-23.9
December	-13.80	-12.20	190.7	191.3	4616	4627	3882	3892	-21.1	-20.6
January 1988	-13.62	-14.71	190.5	190.2	4620	4640	3876	3889	-16.3	-15.6
February	-13.26	-13.86*	191.0	191.0*	4620	4663	3866	3898	-14.4	-15.9
March	-14.19	-14.43	190.7	190.6	4639	4679	3872	3902	-12.2	-13.5
April	-13.76	-14.09	190.3	191.1	4655	4699	3873	3909	-11.3	-11.6
May	-12.55	-13.53	190.7	191.3	4677	4724	3881	3917	-16.9	-13.9
June	-11.64	-12.68	190.2	191.7	4700	4751	3891	3923	-25.5	-14.5
July	-13.89	-14.48	190.6	191.9	4726	4765	3899	3919	-23.8	-16.3
August	-14.26	-15.02	191.4	192.2	4752	4787	3905	3921	-22.2	-16.9
September	-13.46	-14.83	191.8	192.0	4778	4820	3910	3935	-20.6	-16.1
October	-14.35	-15.62	191.5	191.8	4800	4838	3918	3930	-18.4	-15.6
November	-13.63	-13.27	191.3	191.5	4820	4873	3928	3946	-17.4	-13.7
December	-11.67	-12.28	190.8	191.7	4841	4904	3936	3955	-16.5	-14.8
January 1989	-12.43	-13.43	190.5	191.9	4868	4928	3942	3958	-19.3	-16.2
February	-12.06	-12.26	190.9	191.6	4896	4956	3948	3965	-22.4	-16.9
March	-12.32	-12.39	191.1	191.4	4924	4986	3952	3970	-25.4	-17.7

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	265.4	265.4	760.7	756.2	2892.5	2894.6	7.29	7.29	6.69	6.69
November	267.3	267.3	756.6	752.7	2891.1	2897.0	6.69	6.69	6.19	6.19
December	267.8	267.9	753.0	750.8	2895.6	2901.8	6.77	6.77	6.36	6.36
January 1988	272.3	271.9	761.4	758.9*	2916.8	2925.6	6.83	6.83	6.25	6.25
February	273.5	272.3*	765.4	761.5	2930.6	2946.5*	6.56	6.58	5.94	5.93
March	274.8	273.3	769.5	763.8	2944.4	2960.4	6.50	6.58*	6.08	5.99*
April	276.5	274.5	773.8	767.5	2959.3	2978.2	6.41	6.75	6.01	6.11
May	278.7	275.9	779.2	772.0	2977.8	2996.1	6.26	6.75	5.96	6.13
June	280.9	277.3	784.6	775.9	2995.9	3014.2	6.26	6.79	5.92	6.12
July	282.3	279.2	790.0	781.5	3013.4	3036.0	6.30	6.70	6.06	6.07
August	283.7	281.1	795.8	787.1	3028.6	3055.8	6.38	6.73	6.01	6.05
September	285.0	282.7	801.5	791.8	3042.9	3074.0	6.46	6.65	6.08	6.02
October	286.7	284.0	803.6	796.6	3060.3	3092.6	6.50	6.72	6.15	6.13
November	288.5	285.6	805.8	801.7	3075.9	3112.4	6.59	6.83	6.18	6.22
December	290.3	287.3	808.0	807.3	3091.5	3130.1	6.68	6.89	6.17	6.26
January 1989	291.8	289.5	813.1	812.9	3107.3	3141.8	6.73	6.80	6.20	6.20
February	293.3	291.3	818.3	817.1	3126.2	3158.0	6.85	6.71	6.18	6.15
March	294.7	293.2	822.9	821.5	3145.0	3175.0	6.76	6.56	6.10	5.98

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1987	10.52	10.52	8.70	8.70	7.89	7.89	8.02	8.02	9.07	9.07
November	10.01	10.01	7.95	7.95	7.17	7.17	7.24	7.24	8.78	8.78
December	10.11	10.11	7.96	7.96	7.61	7.61	7.66	7.66	8.75	8.75
January 1988	9.88	9.88	7.66	7.69	6.87	6.87	6.92	6.92	8.75	8.75
February	9.93	9.40	7.75	7.49	6.43	6.58	6.50	6.60	8.51	8.51
March	9.82	9.49*	7.61	7.55	6.40	6.55*	6.49	6.60*	8.42	8.50
April	9.56	9.73	7.36	7.78	6.28	6.79	6.37	6.86	8.25	8.50
May	9.43	9.86	7.24	7.70	6.25	6.78	6.35	6.90	8.25	8.50
June	9.30	9.80	7.12	7.79	6.28	6.85	6.38	6.92	8.25	8.50
July	9.25	9.73	7.03	7.78	6.35	6.73	6.42	6.84	8.25	8.50
August	9.29	9.70	7.11	7.74	6.42	6.78	6.50	6.90	8.25	8.50
September	9.33	9.62	7.18	7.60	6.45	6.70	6.54	6.81	8.25	8.50
October	9.50	9.63	7.34	7.63	6.61	6.76	6.69	6.86	8.25	8.50
November	9.56	9.85	7.41	7.83	6.64	6.89	6.73	6.94	8.25	8.50
December	9.62	9.89	7.48	7.89	6.70	6.97	6.78	7.08	8.25	8.73
January 1989	9.75	9.85	7.61	7.88	6.78	7.02	6.85	7.12	8.25	8.75
February	9.89	9.82	7.71	7.84	6.86	6.83	6.94	6.92	8.25	8.75
March	9.85	9.67	7.63	7.64	6.73	6.56	6.86	6.65	8.25	8.75

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